

**IN THE UNITED STATES DISTRICT COURT  
FOR THE EASTERN DISTRICT OF PENNSYLVANIA**

**VANGUARD IDENTIFICATION SYSTEMS, INC.,**  
1210 American Boulevard  
West Chester, PA 19380

**Plaintiff,**

v.

**RONNIE E. GOADE, SR.,** Individually and as Trustee  
for the Ronnie E. Goade, Sr. Revocable Trust  
18909 Saddle River Drive  
Edmond, OK 73003

and

**THE RONNIE E. GOADE, SR. REVOCABLE TRUST,**  
18909 Saddle River Drive  
Edmond, OK 73003

and

**REG OKLAHOMA ACQUISITION, LLC**  
1027 Waterwood Parkway  
Edmond, OK 73034

and

**RENISE GOADE LEE**

and

**RON E. GOADE, JR.**

and

**SEAN GOADE**  
4108 Cantile Circle  
Oklahoma City, OK 73120

and

**CIVIL ACTION**

**NO. 02-2943**

**SUSAN M. GOADE**

1027 Waterwood Parkway

Edmond, OK 73034

and

**LIQUIDATING TRUSTEES 1 - 6**

1027 Waterwood Parkway

Edmond, OK 73034

**Defendants.**

**FIRST AMENDED COMPLAINT**

Plaintiff, by and through undersigned counsel, complains as follows:

## I. Nature of Action

1. This action is brought against various individuals and entities to enforce a \$2 million judgment ( Judgment ) entered in favor of plaintiff Vanguard Inc. ( Vanguard ) in a patent infringement suit, *Vanguard v. Stik/Stik* Inc. ( Vanguard ) in United States District Court, Eastern District of Pennsylvania, No. 97-6790 ( Patent Action ). The Defendants herein caused the Patent Action defendants to fraudulently evade liability and ultimately the Judgment, thereby enriching themselves.

2. Defendants Defendants unlawful evasion began when Defendant Ronnie E. Goade, Sr. ( Goade ) caused the Ronnie E. Goade, Sr. Rev Judgment-debtor, Judgment-debtor, Stik/S Judgment-debtor, Stik/Strip Lami Judgment-debtor, Stik/Strip Lami approximately \$10 million, knowing SSI would likely lose the Patent Action approximately \$10 million by misrepresentingmisrepresenting to Vanguard that it could recover monies owed to it from DSI. At the time of the sale,sale, Goade intentionally misled Vanguasale, Goade intentionally misled Vanguasale, Goade intentionally misled Vangua encumberencumber SSI s assets and that the sale would have no materienumber SSI s assets and that the sale would have no material effect on SSI s financial position. But,But, in fact, unbeknownst to Vanguard and fully known to Goade But, in fact, unbeknownst to Vanguard and fully known to Goade, the assetsassets were completely encumbered as a result of the sale since the lender who purchase took security interests in all, or nearly all, of SSI s assets.

3. Goade's fraudulent scheme continued two years later, Goade's fraudulent scheme was entered. On July 14, 2000, four days after entry of the Judgment on July 10,

Defendant Defendant REG Oklahoma Acquisition, LLC ( REG ), then and still under the control of Goade, repurchased the assets of SSI for the contrived low price of \$2 million.

4. When When Goade repurchased SSI through REG, SSI was worth substantially more than \$2 million. Recognizing the value of SSI, Vanguard had sold SSI for \$4 million plus a release in the Patent Action represented by the Judgment. Nevertheless, Goade, in conjunction represented by the Judgment, made a deliberate decision not to consider selling SSI to satisfy the Judgment.

5. As a result of both the original sale and repurchase, SSI was worth approximately \$10 million and at least \$2 million from Vanguard's salary -- while simultaneously recovering all of SSI. Meanwhile, neither SSI nor Vanguard satisfied the Judgment.

6. REG continued, and continues, to do business using the assets, employees, products, customers, as SSI and remains indebted to SSI.

7. In addition, Goade and REG have attempted to secure, and have obtained, assets that remained in, or came into, SSI's possession after the July 14, 2000 sale to REG.

## **II. Parties**

8. Plaintiff Vanguard is a Pennsylvania corporation having its principal place of business at 1210 American Boulevard, West Chester, PA 19380.

9. Defendant Goade is an adult individual residing at 1210 American Boulevard, Edmond, Oklahoma 73003.

10. Defendant Goade Trust is, on information and belief, a trust created under the laws of Oklahoma. Goade is the settlor and a trustee.

11. Defendant Susan M. Goade is Goade s Defendant Susan M. Goade is Goade s spo  
of the Goade Trust.

12. Defendant Renise Goade Lee is Goade sDefendant Renise Goade Trust.

13. Defendant Ron E. Goade, Defendant Ron E. Goade, Jr. is Goade s Defendant R Trust.

14. Defendant Sean Goade is Goade's son and a beneficiary of the G

15. Defendant REG is an Oklahoma limited liability corporation with its principal place of business in Oklahoma.

16. Defendants Liquidating Trustees 1 through 6 are Defendants Liquidating Trusts, a combination of the two who acted in combination of the two who acted in the interests herein, but whose identities are not yet known.

### III. Jurisdiction and Venue

17. Original jurisdiction is vested in this court pursuant to §1332(a)(1) because the amount in controversy exceeds the sum or value of \$75,000, exclusive of interest and costs, and this action is between citizens of different states.

18. Venue is proper in this judicial district pursuant to 28 U.S.C. §1391 because it is the judicial district in which a substantial part of events or omissions giving rise to the claims occurred and because one or more of the Defendants is subject to the court's personal jurisdiction here. The Patent Action was prosecuted in this district. The Patent Action was prosecuted in this district. The Patent Action was prosecuted in this district.

described below, particularly the misrepresentations regarding encumbering assets described below committed in this District. The Judgment that Defendants have sought to evade was entered in this District.

19. Venue is also proper in this Court because Vanguard is located here and has suffered damages here.

#### **IV. Factual Background**

##### **A. Goade misrepresents the sale of SSI.**

20. Vanguard filed the Patent Action naming SSI on April 4, 1997. The case presented an overwhelmingly clear case of infringement therein and herein knew it. They also knew that they faced a very substantial liability at that time because of the infringement.

21. At the time, SSI was wholly owned by Goade. Goade was Director, Chairman of the Board, by relevant times, Goade directed the Patent Action on behalf of SSI, and later, DSI.

22. Goade's objective in the Patent Action was one of delay and obstruction.

23. On or about April 30, 1998, SSI filed a motion for summary judgment in the Patent Action. The Court promptly denied the Patent Action. The Court directed SSI's counsel to stop playing games. See Order as directed SSI's counsel to stop playing games as Exhibit A.

24. Immediately thereafter, on May 19, 1998, SSI's attorney disclosed to Vanguard's attorney that SSI was about to be sold. Vanguard's attorney that SSI was about to be sold. continue to operate after the sale.

25. The following day, Vanguard's attorney wrote to SSI's attorney that  
proceeding in the Patent Action based on SSI's representation  
and also notified SSI that SSI's representations were material  
A. Rosen, Esquire to Joseph P. Titterton, Esquire, attached hereto as Exhibit B.

26. Three days prior to the closing, which was on May 29, Vanguard's attorney wrote SSI's counsel stating that, in light of the fact that Vanguard's attorney had filed a motion for an injunction barring distribution of the sales proceeds. He stated that SSI should avoid such an action if, by the next day, the proceeds would not be encumbered or depleted and that there would be no impact on the balance sheet as a result of the sale. See May 26, 1998 letter from Garbman to Joseph P. Titterton, Esquire attached hereto as Exhibit C.

27. SSI s attorney replied on the same day, writing, in part:

We have checked with our client and have been authorized to inform you of the following:

\* \* \*

The transaction involves a sale of stock known to Ron Goade, Sr., there is nothing transactional documents which leads to that SSI's assets will be encumbered or depleted the sales transaction or that the sale will have a material adverse impact on SSI's balance sheet.

See May 26, 1998 letter from Joseph P. Titterington, Esquire to  
hereto as Exhibit D.

28. The client with whom counsel conferred was Goade, The client with whom c  
copied on the letter ( May 26 Letter ) containing this statement.

29. Goade,Goade, actingGoade, acting for himself, the Goade Trust,Goade, acting for hims  
andand the Liquidating Trustees, intentionally misland the Liquidating Trustees, intentionally misled Vana  
would not be encumbered as a result of the sale.

30. The assets were to be encumbered and Goade knew that SSI's assets would be encumbered particularly since the lender that SSI's assets on or about the day of the sale.

[illegible]

32. At no time after receiving the May 26 Letter his false representation. Similarly, neither his false representation. Similarly, neither assets were to become, or became, encumbered on May 29, 1998.

33. Vanguard relied to its detriment on Goade's false statements conveyed by the May 26 Letter. But for Goade's fraudulent statements, Vanguard obtained injunctive relief that, among other things, barred the sale of assets valued at approximately \$10 million to the Goade Trust and/or its beneficiaries, ensuring that Vanguard could satisfy a judgment, or barred the sale of certain assets of the assets of SSI.



34. Goade, Goade, the Goade Trust, and the Goade, the Goade Trust, and the Trust beneficiaries gain, from the encumbering of SSI's assets gain, from the encumbering of SSI's assets as well as from the failure would be encumbered.

35. The encumbering of the assets of SSI The encumbering of the assets of SSI v dissolution of SSI in that SSI's assets were removed from the reach of dissolution of SSI in that SSI's knew it would have an obligation, whether the amount knew it would have an obligation, whether the amount unliquidated. unliquidated. unliquidated. As in a liquidation or dissolution, it was the shareholder of SSI, the C along with its Trustee and beneficiaries, who gained by the receipt along with its Trustee and beneficiaries, the transaction.

**B. Goade reacquires SSI for inadequate consideration without satisfying the judgment.**

36. After DSI's purchase of SSI, Goade assumed the position of Director of Business Development of SSI. He held 11.2 percent of the shares of DSSI and DSI. In the sale of SSI to DSI, Goade also reserved the exclusive right to settlement in the Patent Action.

37. On or about September 30, 1999, DSI defaulted. In December of that year, Heller entered the first of a series of sales. Heller began efforts to sell various business divisions of DSI other than SSI.

38. In January, 2000, the firm of Dresner Investment Services, Inc. (Dresner), on behalf of DSI and/or Heller, began circulating a memorandum certain non-core assets of DSI. SSI was not among the assets that were the subject of this sales Memorandum.

39. On February 1, 2000, after Vanguard's Complaint to Join Additional Defendant was granted, Vanguard filed an Complaint to Join Additional naming DSI as a defendant.

40. In or about the Spring of 2000, Vanguard expressed interest in purchasing SSI for approximately \$4 million and a release of liability.

41. Despite the lack of active marketing of SSI, Vanguard offered more than \$2 million for SSI.

42. On July 10, 2000, Judgment for \$2 million was entered by stipulation in Vanguard's favor and against SSI and DSI, excluding claims for fraud and release was granted in favor of SSI and DSI, specifically excluding claims against Goade, the Goade Trust and its trustees, and Goade's family members. *Id.*

43. On July 13, 2000, Dresner -- which somehow became aware of SSI -- acting on SSI and DSI's behalf, forwarded information to Vanguard regarding SSI's possible purchase of SSI.

44. Nevertheless, on the very next day, REG, owned and/or controlled by Goade, purchased all, or nearly all, of SSI's assets for \$2 million. Vanguard did not know, and was never informed, of this sale at the time.

45. Vanguard, unaware of the sale, continued to express its interest in purchasing SSI. Still, without informing Vanguard of the sale, SSI and DSI decided that they had decided not to allow Vanguard to purchase SSI.

approve settlements in the Patent Action for approve settlements in the Patent that he could purchase SSI and defeat Vanguard's judgment.

46. After the sale of SSI's assets to Goade's entity, REG, the under the name of SSI Technologies, using the same trade name and equipment, same production facilities at the same locations, same employees, same customer lists, same phone numbers, and customer lists, same business operation

47. The net result of Goade's sale of SSI and repurchase of at least \$8 million, plus salary and commissions. In addition, Goade of at least \$8 million, plus salary and or controlled, fraudulently or controlled, fraudulently evaded liability for patent infringement million Judgment.

48. The sale of SSI to REG was not commercial. The sale of SSI to REG was not purchased SSI in bad faith.

**C. Additional schemes to avoid satisfaction of the judgment.**

49. Even after the sale of SSI's assets to REG, revenue or other monies continued to be received by SSI, unbeknownst to Vanguard. These were transferred to REG.

50. In or about the beginning of 2002, REG and In or about the beginning of 2002, REG and Goade attempted to transfer a patent to REG that had not been part of the July 14, 2000 purchase to transfer a patent to REG that had not been part of the July 14, 2000 purchase and attempted to conceal this transaction from Vanguard. When the Patent, REG and Goade commenced the Patent, REG and Goade commenced the Patent, REG and Goade in an effort to effectuate this fraudulent conveyance

**V. RELIEF REQUESTED**

**COUNT ONE**

**(Fraud)**

**Against Goade, the Goade Trust, and REG**

51. All other paragraphs in this Complaint are as if fully set forth herein at length.

52. Defendants made false and misleading statements and omitted to disclose material facts to Vanguard. These include, but are not limited, to:

- (a) stating that the assets of SSI would not be encumbered when SSI was sold to DSI;
- (b) failing to disclose that the assets of SSI were to be encumbered that the loan amount exceeded the value of the assets;
- (c) failing to disclose that as a result of the sale of SSI to DSI and the encumbering of the assets of SSI, SSI and DSI would be unable to encumber the assets of SSI to Vanguard;
- (d) failing to disclose that SSI's assets were to be encumbered to REG;
- (e) leading Vanguard to believe that it could purchase SSI from DSI to satisfy the judgment when REG was the only intended purchaser;
- (f) failing to disclose that, even after the sale of SSI's assets to DSI, SSI was receiving revenue or other monies and/or maintained property, such as patents; and

(g) failfailingfailing failing to disclose REG s efforts to induce SSI to transfer a Patc

to REG.

53. Defendants also engaged in schemes and Defendants also engaged in conduct described above. Defendants engaged in such conduct with the intent of avoiding satisfaction described above. The Court finds that Defendants' actions were intended to avoid the judgment.

54. Defendants knew that their statements were false and omitted to state material facts and/or they made such statements and omitted to state material facts in disregard for whether they were false or misleading.

55. Defendants made these misleading statements that Vanguard rely on such statements or omissions.

56. All such statements or omissions were material to the transaction.

57. Vanguard justifiably relied on Vanguard justifiably relied on the misleading statements Va  
Defendants.

58. As a direct and proximate result of the misleading and fraudulent schemes and artifices of Defendants, Vanguard was injured.

**WHEREFORE**, Vanguard requests the relief described below.

**COUNT TWO**  
**(Conspiracy to Defraud)**

## Against Goade, the Goade Trust, and REG

59. All other paragraphs in this Complaint are as if fully set forth herein at length.

60. Defendants combined and conspired with other parties with an intent to defraud Vanguard.

61. Defendants acted in furtherance of this conspiracy to defraud Vanguard.

62. As a direct and proximate result, Vanguard was injured in an amount in excess of \$2,000,000.

**WHEREFORE**, Vanguard requests the relief described below.

**COUNT THREE**  
**(Promissory Estoppel)**

**Against Goade, the Goade Trust, and REG**

63. All other paragraphs in this Complaint are as if fully set forth herein at length.

64. In addition to the misrepresentations and omissions described above, Defendants engaged in negligent misrepresentations, conduct and/or omissions to which Vanguard reasonably relied to its detriment, as described more fully above.

65. Vanguard fulfilled any duty of inquiry it may have had.

66. As a direct and proximate result, Vanguard was injured in an amount in excess of \$2,000,000.

**WHEREFORE**, Vanguard requests the relief described below.

**COUNT FOUR**  
**(Successor Liability)**

**Against REG**

67. All other paragraphs in this Complaint are as if fully set forth herein at length.

68. REG is merely a continuation of the same business as SSI and DSI.

69. TheThe sale of SSI toThe sale of SSI to DSI and thThe sale of SSI to DSI and the sa  
structured to evade the obligation to Vanguard.

70. AsAs a direct and proximateAs a direct and proximate result of the transactions that trans  
assets to DSI and then to REG, Vanguard was injured in an amount of excess of \$2,000,000.

**WHEREFORE**, Vanguard requests the relief described below.

**COUNT FIVE**  
**(Uniform Fraudulent Transfer Act)**

**Against All Defendants**

71. AllAll other paragraphs inAll other paragraphs in this Complaint areAll other paragraphs in  
as if fully set forth herein at length.

72. Defendants intended to defraud Vanguard.

73. AsAs a direct and proximate result of the tAs a direct and proximate result of the tran  
above, Vanguard was injured in an amount in excess of \$2,000,000.

**WHEREFORE**, Vanguard requests the relief described below.

**COUNT SIX**  
**(Breach of Duty of Liquidating Trustees)**

**Against Goade, the Goade Trust, and Liquidating Trustees 1-6**

74. AllAll other paragraphs inAll other paragraphs in this Complaint areAll other paragraphs in  
as if fully set forth herein at length.

75. Goade,Goade, the Goade, the GoadGoade, the Goade Trust, and Liquidating Trustees 1-6 o  
toto Vanguard when SSI s assets were encumbered, when Goade and the Goade Trust deliberately

misrepresented the encumbering of the assets, and when there was no connection with the transactions described above.

76. Goade, the Goade Trust, and the Goade Trust, as fiduciary duties owed Vanguard by, inter alia:

- a) misrepresenting that SSI's assets would not be encumbered;
- b) allowing the assets to be encumbered without reserving or trusting sufficient funds to cover the liability to resolve the Patent Action or the resulting Judgment;
- c) distributing the \$10 million to the Goade Trust without creating a reserve or trust to cover the liability to resolve the Patent Action or the resulting Judgment.

77. As a direct and proximate result of the transactions described more above, Vanguard was injured in an amount in excess of \$2,000,000.

**WHEREFORE**, Vanguard requests the relief described below.

**COUNT SEVEN**  
**(Request for an Accounting)**

**Against All Defendants**

78. All other paragraphs in this Complaint are as if fully set forth herein at length.

79. Defendants herein owed Vanguard a duty of care to Vanguard and/or made misrepresentations to Vanguard and/or is needed and is material to the relief sought herein.



80. Defendants are in the exclusive possession of the data with determined the whereabouts and amounts of monies determined payment of Plaintiff's judgment.

81. Vanguard will suffer irreparable harm if the relief herein is not granted.

82. Vanguard does not have an adequate remedy at law.

**WHEREFORE**, Vanguard requests the relief described below.

**COUNT EIGHT**  
**(Request For Constructive Trust)**

**Against All Defendants**

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83. All other paragraphs in this Complaint are as if fully set forth herein at length.

84. Defendants have demonstrated a propensity to manipulate transactions to hide assets in order to evade lawful commitments.

85. As a direct and proximate result of the unlawful conduct of the Defendants herein have been unjustly enriched.

**WHEREFORE**, Vanguard requests the relief described below.

**PRAYER FOR RELIEF**

**WHEREFORE**, Plaintiff Vanguard respectfully requests that this Court enter an Order in its favor and against Defendants:

- a) in the amount of \$2,000,000 for compensatory damages; plus pre- and post-judgment interest; punitive damages; costs; and attorneys fees;
- b) establishing a constructive trust in Vanguard s favor over the proceeds of the sale by SSI to DSI and over the assets of REG and over the assets of all Defendants;
- c) compelling an accounting of the proceeds from the sale of SSI to DSI;
- d) for preliminary and permanent injunctive relief as determined by the facts; and
- e) such other relief as this Court deems just and equitable.

Respectfully submitted,

**BOCHETTO & LENTZ, P.C.**

By: \_\_\_\_\_

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Vanguard Identifications  
Systems, Inc.

Date: \_\_\_\_\_